

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 15954
[Redacted],)	
)	DECISION
Petitioners.)	
_____)	

On August 24, 2001, the staff of the Income Tax Audit Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers), proposing income tax and interest for the taxable year 1999 in the total amount of \$453.

On September 14, 2001, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers did not request a hearing but rather chose to submit additional documentation and information for the Tax Commission to consider. The Tax Commission, having reviewed the file, hereby issues its decision.

[Redacted]. When compared with what was reported on the taxpayers' 1999 Idaho return, the Bureau found that the amounts did not agree. The Bureau sent the taxpayers a letter stating that their 1999 return had been selected for review. The Bureau asked the taxpayers to provide additional information on some of the deductions the taxpayers claimed on their Schedule A – Itemized Deductions.

The Bureau did not receive a response from the taxpayers, so the Bureau adjusted the taxpayers' return and sent them a Notice of Deficiency Determination. The taxpayers protested the Bureau's determination stating that they had lived a nomadic life since leaving Idaho and were not sure if any of the Bureau's letters had reached them. The taxpayers explained and provided documentation for two of the items adjusted. They asked that the Tax Commission consider reducing the deficiency by these two items.

The Tax Commission reviewed the documentation and the taxpayers' explanation. The Tax Commission then sent the taxpayers' a hearing rights letter requesting additional clarification and setting forth two alternative methods for having the Bureau's determination redetermined. The taxpayers responded with additional documentation and a statement that the only item being contested was the disallowance of the interest on the restaurant mortgage.

The taxpayers' documentation established that the taxpayers had a debt obligation on the restaurant building they owned. This obligation clearly qualifies as either an investment interest expense or as interest expense on business property. In both cases, the taxpayers' 1999 return showed that the expense should be allowed. The taxpayers had sufficient investment income and they reported both schedule C and schedule E income.

Therefore, the Tax Commission reverses the adjustment disallowing the mortgage interest on the restaurant building. The Tax Commission also upholds the Bureau's adjustments that matched Idaho adjusted gross income to federal adjusted gross income; that disallowed interest expense claimed to [Redacted]; and that disallowed a casualty loss.

WHEREFORE, the Notice of Deficiency Determination dated August 24, 2001, is hereby MODIFIED, in accordance with the provisions of this decision, and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayers pay the following tax and interest:

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
1999	\$128	\$19	\$147

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of the taxpayers' right to appeal this decision is included with this decision.

DATED this ____ day of _____, 2002.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this ____ day of _____, 2002, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED]Receipt No. [Redacted]
[Redacted] [REDACTED]

ADMINISTRATIVE ASSISTANT 1